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No. 93-1431

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

MEDICAL ENGINEERING CORPORATION,
Petitioner,

v.

AMERICAN MEDICAL SYSTEMS, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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RULE 29.1 LISTING

Petitioner, Medical Engineering Corporation, previously included a Rule 28.1 listing in its "Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit" at page ii. The listing is currently accurate and no amendments are required.

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PETITIONER'S REPLY BRIEF

I. THE DISPUTED QUESTION PRESENTED IS WHETHER THE FEDERAL CIRCUIT IMPROPERLY INTERPRETED THE TERM "FAILURE SO TO MARK" AS IT IS USED IN 35 U.S.C. §287(a).

This case presents a straightforward, but significant, issue of patent law: whether a patent holder—having failed to mark a substantial number of articles distributed to the public—may claim damages for infringement from the date that it belatedly begins marking or, having initially failed to mark, may claim damages for infringement only from the date that it provides notice of infringement to the infringer. As stated in the petition, our view is that,

once a failure to mark has occurred, Section 287(a) of Title 35 bars recovery of damages prior to the time of actual notice of infringement. By holding to the contrary, the Federal Circuit, charged with deciding all patent appeals, has distorted the statutory scheme in a manner that only this Court can correct.

The Brief in Opposition, while defending the decision below, fails to demonstrate either that it is correct or that (if incorrect) it is unimportant. Its main point on the merits—that a failure to mark leads to a loss of damages only for the period of the failure—is hardly the most natural reading of the statutory language and would make it far more difficult for the public to know whether unmarked articles were covered by a patent or not. And its principal argument about lack of importance—that there is no conflict among the circuits on this issue—is of little relevance, given the fact that the Federal Circuit is the sole court of appeals with jurisdiction over this issue. Plenary review by this Court, therefore, is warranted.

The purpose of the patent marking statute is to "prevent innocent infringement" and to protect the public from "deception by unmarked patented articles." *Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co.*, 297 U.S. 397, 396-398 (1936). The marking statute (35 U.S.C. §287(a)) thus provides that a patentee may protect the public against deception caused by the public dissemination of unmarked patented articles by giving "notice to the public that the same is patented either by fixing thereon the word 'patent' . . . together with the number of the patent." 35 U.S.C. §287(a) (1990). The statute further states:

> In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except upon proof that the infringer was notified of infringement and continued to infringe thereafter . . . .

Id.

Although AMS argues that a patentee may fail to mark its product and yet later claim damages without giving actual notice, it cannot satisfactorily reconcile that reading with the language of Section 287(a). Once a patentee has distributed more than an insignificant number of unmarked patented articles, it has "fail[ed] so to mark" under the terms of the Act. At that point, Section 287(a) expressly requires the patentee to use the second affirmative method of notice—actual notice of infringement to an infringer—before the patentee is entitled to any damages for the infringement. MEC's interpretation of Section 287(a) finds support in the literal language of the statute, in case law[1] and in the public policy reflected in the patent laws.

AMS never comes to grips with the serious harm caused by the public distribution of unmarked yet patented articles. The patent laws serve the important public policy of delineating between public and private property. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-51, 156, 159-62 (1989). Implicit in the patent laws is the concept that "free exploitation of ideas will be the rule, to which the protection of a federal patent is the exception." *Id.* at 151. This policy is embodied in Section 287(a), which provides a mechanism for the patentee to

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[1] Cases supporting MEC's position include: *The Providence Rubber Co. v. Goodyear*, 76 U.S. (9 Wall.) 788, 801 (1870); *Crier v. Innes*, 170 F. 324, 326 (2d Cir. 1909); *Maxwell v. J. Baker, Inc.*, 805 F. Supp. 728, 733 (D. Minn. 1992); *In re Yarn Processing Patent Validity Litigation*, 602 F. Supp. 159, 168-69 (W.D.N.C. 1984); *Gordon v. Easy Washing Machine Corp.*, 39 F. Supp. 202, 203 (N.D.N.Y. 1941); *Hazeltine Corp. v. Radio Corp. of Am.*, 20 F. Supp. 668, 671 (S.D.N.Y. 1937); *Matthews & Willard Mfg. v. National Brass & Iron Works*, 71 F. 518, 518 (C.D. Pa. 1895). The cases decided before the 1952 amendment to Section 287(a) were wrongly dismissed by the Federal Circuit because it mistakenly attributed legislative significance to an insignificant language clarification.

give notice to the world that the exception to the rule—protection of an idea by federal patent—applies to an article placed in the stream of commerce.

The patent marking statute exists to protect the public from innocently infringing on the patent rights of another by encouraging the patentee—by barring or limiting a patentee's entitlement to infringement damages—to give the public affirmative notice of its patent rights.[2] *Wine Ry. Appliance Co.*, 297 U.S. at 295. To protect the public from innocent infringement, Section 287(a) places a small burden on the patentee to mark its patent number on substantially all patented articles and an equally small burden on the public to examine articles for a patent number to determine if the ideas embodied by the article are public property or protected by federal patent. Clearly, unmarked yet patented articles placed in the stream of commerce can mislead any member of the public into believing that the ideas embodied in the unmarked article are freely exploitable. A patentee who fails to notify the public of its patent rights by substantially marking its patented articles with the patent number thereafter has the small burden of monitoring the marketplace and giving infringers actual notice of their infringement. Infringement that continues after actual notice of infringement is no longer innocent, and Section 287(a) allows a patentee to receive damages.[3]

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[2] Innocent infringement occurs when a member of the public examines a patented but unmarked article and is led by the article's lack of patent notice to believe that the ideas embodied in the article are freely available to the public, and thereafter exploits the ideas commercially.

[3] AMS is mistaken that the question presented by this petition is unimportant because MEC is not an innocent infringer. The

(Footnote continued on following page)

AMS suggested examples in its Opposition Brief of why the District Court's and MEC's interpretation of Section 287(a) is supposedly unfair. Most of AMS' arguments focus on why MEC's interpretation of Section 287(a) is unfair to the patentee. *See e.g.*, Opp. 18-22. However, AMS' arguments ignore the policy of the statute which is to protect the public—not the patentee.[4] AMS' arguments all place the burden on the public to spend years monitoring commercial articles to determine if, eventually, the article is marked with a patent number. Such a burden has a chilling effect on the right to "rely upon the lack of notice in exploiting shapes and designs accessible to all." *Bonito Boats*, 489 U.S. at 162.

AMS' position and the position adopted by the Federal Circuit in the decision below is that the plain language

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[3] *continued*
marking statute applies to limit damages for any infringement—innocent or not—occurring prior to receiving actual notice of infringement. Besides, MEC sold infringing articles before AMS marked its patented articles and did not receive actual notice of infringement until sued by AMS for patent infringement. (App. 7).

[4] In the very recent case of *Amsted Indus., Inc. v. Buckeye Steel Castings Co.*, No. 93-1333, -1339 (Fed. Cir. Apr. 18, 1994), the Federal Circuit reaffirmed the important public policy of the patent marking statute as fulfilling "the policy goal of notifying the public concerning the patent status of items in commerce." *Id.* slip op. at 15. The court said that the purpose of the marking statute was to encourage the patentee "to give notice to the public" of the patent. *Id.* The decision below for which certiorari is sought severely undermines that public policy goal by removing the penalty clearly imposed by Congress for a "failure so to mark" a patented article. The only difference between *Amsted* and the present case is that in *Amsted*, the patented article was never marked. In the present case the patent owner initially failed to mark a substantial number of patented articles distributed in commerce, and thereafter consistently marked the product. This incongruity in the interpretation of the patent marking statute can only be cured if this petition is accepted.

of Section 287(a) allows a patentee to obtain damages for infringement from the date the patent number is placed on all patented articles distributed in commerce regardless of the number of and length of time that unmarked patented articles had been placed in the stream of commerce. (App. 30-31). The basis for the decision below and AMS' arguments in support of its position are contrary to the literal statutory language, the legislative history, and to the intent of the marking statute which is to protect the public from innocent patent infringement. *Wine Ry. Appliance Co.*, 297 U.S. at 395.

The Federal Circuit summarized its interpretation of the marking statute as follows:

> we construe section 287(a) to preclude recovery of damages only for infringement for any time *prior to* compliance with the marking or actual notice requirements of the statute. Therefore, a delay between issuance of the patent and compliance with the marking provisions of section 287(a) will not prevent recovery of damages *after* the date that marking has begun.

(App. 31) (Emphasis added).

The highlighted words identify how the Federal Circuit rewrote the statute. The Federal Circuit distinguished activity occurring "prior to" from that occurring "after" marking, a distinction wholly absent from the statute's terms. The statute does, however, expressly distinguish between events occurring before "the infringer was notified" of the infringement, and events occurring thereafter. Once a failure to mark has occurred, the statute expresses a straightforward prohibition on damages by saying "*no* damages shall be recovered by the patentee in *any* action for infringement, except on proof that the infringer was notified on the infringement and continued to infringe there-

after, in which event damages may be recovered only for infringement occurring after such notice." (Emphasis added).

The Congressional inclusion of an express distinction between events before and after a notice of infringement shows that Congress was perfectly capable of distinguishing between events before and after marking, if it had intended to do so. Instead, Congress simply stated that, once there had been a "failure so to mark," "no damages shall be recovered" except, of course, upon actual notice of infringement. "No" damages means "none." It does not mean no damages until "after the date that marking has begun." The Federal Circuit nevertheless implied the very distinction into the statute that Congress could have made, but did not.

In its Opposition Brief, AMS emphasizes that patent marking is permissive and not mandatory and cites a portion of the decision below in which the Federal Circuit concluded that the change of a single word in the marking statute by the 1952 amendment to the patent code changed marking from a mandatory to a permissive act. Supposedly that single change extinguished any precedent provided by case law decided prior to 1952. (App. 28-30). Whether the statute permits marking or creates a duty to mark is, however, irrelevant. This case addresses the consequences that flow from a failure to mark, and in both the pre-and post 1952 statutes, the consequence was the same: "no damages shall be recovered" except upon actual notice of infringement. Such a result also follows from the meager legislative history of the 1952 Act which characterized the amendment to Section 287(a) as a "reorganization in language to clarify." S. Rep. No. 1979, 82d Cong. 2d Sess. 2397, 2403 (1952). If Congress had actually intended to change the consequences of a failure to mark

when the 1952 Act was written, it would not have done so by the decidedly oblique method of deleting the word "duty" without comment.

AMS argues that the public is aided by the decision below because it encourages the patentee to mark its patent number on a patented article even after distributing unmarked patented articles in commerce. Yet the decision below allows a patentee to flood the market with unmarked patented articles and still obtain damages from an infringer—innocent or not—as soon as the patent number is placed on a single patented article. For example, consider a patentee who sells ten thousand patented but unmarked articles over a five year period and then begins marking with the ten thousand and first. The decision below holds that once the patentee marks the patent number on the ten thousand and first patented article, the presence of ten thousand unmarked patented articles still existing in the stream of commerce to mislead the public has no effect and "the delay between issuance of the patent and compliance with the marking provisions of section 287(a) will not prevent recovery of damages . . . ." (App. 31). This is precisely the public injury that Section 287(a) is intended to prevent.

The decision below is flawed because it ignores the impact on the public—the very class that the statute is intended to protect. The decision improperly burdens the public to monitor the marketplace to verify that an idea embodied in an article is not patented while simultaneously eliminating the patentee's burden to immediately and thoroughly inform the public of its patent rights.

II. THE PROPER INTERPRETATION OF THE PATENT MARKING STATUTE IS A QUESTION OF GREAT PUBLIC IMPORTANCE.

The question presented concerns the proper interpretation of a statutory provision intended by Congress to protect the public. Because the decision below was rendered by the Federal Circuit, it is binding on all District Courts.

The Federal Circuit has exclusive jurisdiction over all appeals from District Courts involving patent law issues. 28 U.S.C. §1295 (1990). That exclusive patent jurisdiction makes its rulings of special national importance. *See Cardinal Chemical Co. v. Morton Intern., Inc.*, 113 S.Ct. 1967, 1971 (1993) (concluding that Federal Circuit's exclusive jurisdiction over an appeal involving a patent issue made the question presented to the Court "a matter of special importance to the entire nation"). It is, therefore, especially important for the Court to consider this petition.

A correct resolution of the question presented is vital to patent owners and the public alike. The plain language of Section 287(a) places the burden on patentees to differentiate publicly available ideas from ideas protected by a federal patent. The decision below has shifted that burden to the public, which must now continuously monitor articles in commerce for a change in patent number marking. Review of the question presented is critical to determine if the decision below properly allocated the statutory burdens.

CONCLUSION

For the reasons stated, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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